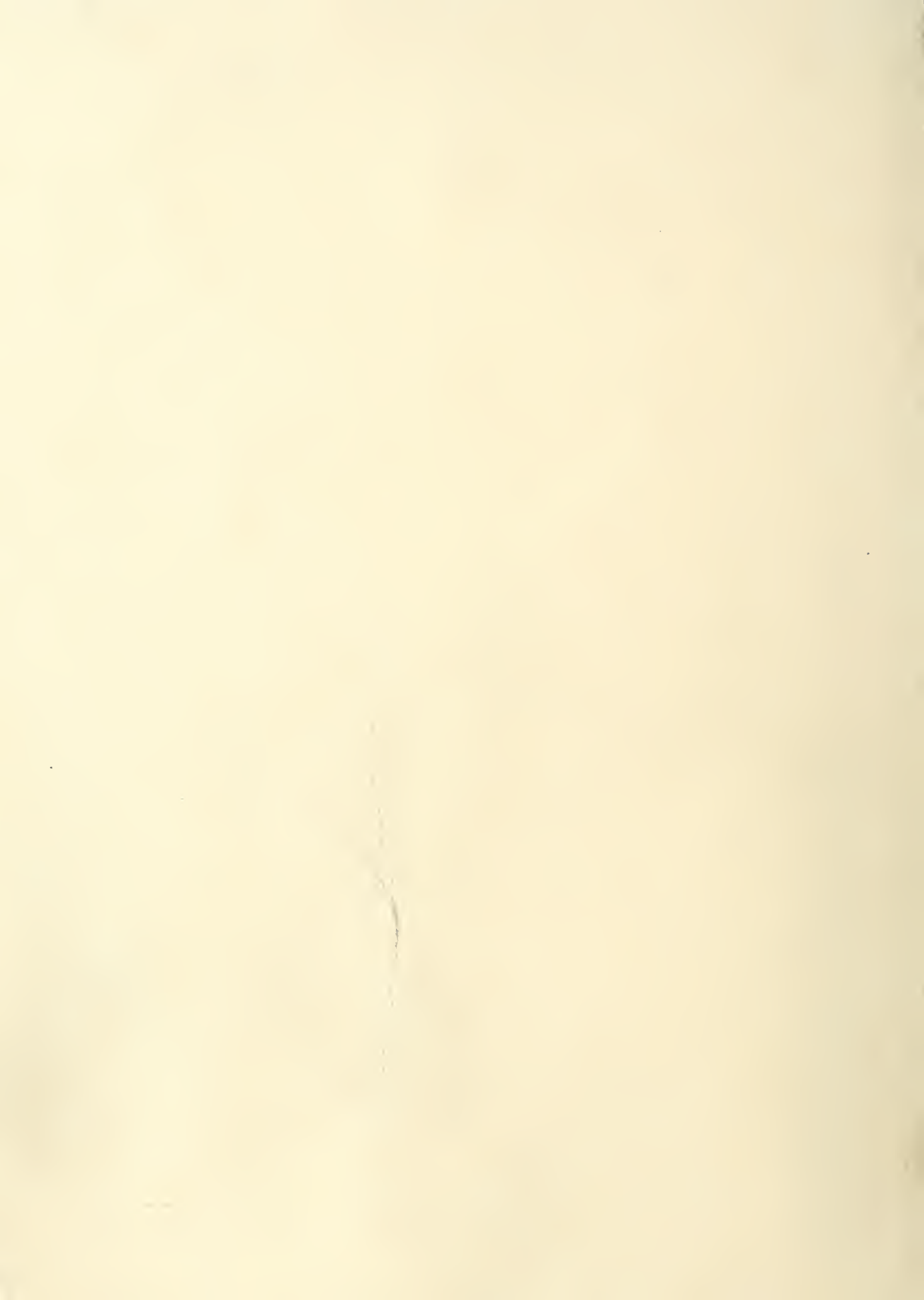


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CSS BACKGROUND INFORMATION ----- BI No. 22 - November 1960 .
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CSS RICE PROGRAMS

The rice programs administered by the Commodity Stabilization Service have two basic objectives:

- To bring production closer in line with demand through acreage and marketing controls, and
- To put a floor under producers' prices through price-support operations.

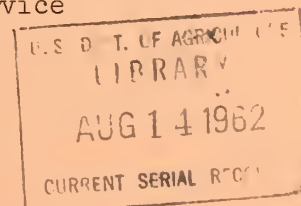
Activities designed to help achieve these objectives, and to assist in moving into useful consumption any stocks of rice acquired by the Government in its price support efforts, are authorized by various legislative acts. The most important of these are the Agricultural Adjustment Act of 1938 and the Agricultural Acts of 1949, 1954, and 1958.

CONTROL PROGRAMS

When rice supplies are larger than anticipated needs -- as they are now -- the law requires that efforts be made to limit production through acreage allotments and marketing quotas. Under acreage allotments, producers are assigned specified acreages which they cannot exceed if they wish to be eligible for price support. Marketing quotas -- if approved by two-thirds of the producers voting in a referendum -- impose marketing and acreage history penalties on any producer who exceeds his allotted acreage.

Allotments and quotas are now in effect in 12 States where rice is produced commercially.

U. S. Department of Agriculture, Commodity Stabilization Service



Acreage Allotments

Acreage allotments were put into effect for the 1955 rice crop and have been in effect each year since then.

The allotment for each producer is his share of the national allotment. (In some areas rice allotments are made on a farm basis. In these areas the allotment is the farm's share of the national allotment.) The allotment is based on rice acreage in the past, allotments previously established, and other factors such as good land use, type of soil, and land contour.

The law provides a formula for determining the national acreage allotment on the basis of total rice supplies needed, but it also specifies that the allotment cannot be less than 1,652,596 acres, the allotment determined for the 1956 crop. In recent years, this minimum allotment has resulted in the production of more rice than could be moved into consumption without export payments and other measures to increase exports.

Marketing Quotas

Marketing quotas are designed to induce compliance with the allotted acreages. When quotas are in effect, a producer must have a marketing card or certificate before he can market any rice. A producer who stays within his acreage allotment is automatically eligible to get a card or certificate permitting him to market all his rice. This card is issued by the county Agricultural Stabilization and Conservation office after a check on the producer's compliance with his acreage allotment. If a producer has exceeded his acreage allotment, he cannot get a marketing card or certificate until he has paid a penalty on, or stored under bond, his "excess" rice production.

In general, the "excess" production which is subject to penalty unless it is stored under bond is equal to the farm's normal yield of rice per acre

times the acres in excess of the farm rice acreage allotment. In instances where the actual yield is below normal, the actual yield may be used as the basis for determining the excess production. The penalty rate per pound on excess production, as fixed by law, is 65 percent of the June 15 rice parity price in that marketing year.

As in the case of acreage allotments, the law provides a formula (based on rice supplies and needs) which is used to determine whether marketing quotas are to be proclaimed for a specific crop of rice. Supplies of rice have exceeded the marketing quota level and quotas have been proclaimed by the Secretary of Agriculture each year since 1955. In each instance, marketing quotas have been approved by producers voting in a referendum.

PRICE SUPPORT

Producer prices for rice are supported through loans and purchase agreements designed to maintain prices at not less than a specified national average level.

The support price for each crop of rice is determined at the beginning of the marketing year which is August 1. For the 1959 and 1960 rice crops, the law provided that the support level should be not less than 75 percent of parity. For the 1961 crop, support is required by law at not less than 70 percent of parity; for 1962 and subsequent crops, it must be not less than 65 percent of parity.

For the 1960 rice crop, the national average support price was \$4.42 per hundredweight. This represented the minimum level of support -- 75 percent of the rice parity price on August 1, 1960, when the 1960-61 marketing year began.

Producers must be in compliance with their allotments, when they are in effect, to be eligible for price support. They receive support on their rice through nonrecourse loans and purchase agreements. (Nonrecourse means that

delivery of the rice constitutes payment of the loan in full regardless of the current market value of the rice. For the 1960 crop, the law also required that such nonrecourse loans and purchase agreements could not exceed \$50,000 to any one individual unless the acreage planted for 1960 harvest was cut back 20 percent from 1959 acreage. A producer who did not cut back his acreage could obtain a loan for any amount above the \$50,000 limit, but this loan would be a recourse loan which would have to be paid back in full when it matured.)

Rice must be stored in approved farm or commercial facilities to be eligible for price-support loans.

Price-support loans are available on each year's crop from harvesttime through January 31 of the following year. Purchase agreements -- under which the producer may sell a certain quantity of rice to the Government, but does not get a loan -- must be signed before January 31. Both are obtained through county ASC offices.

Rice loans mature on April 15. Farmers can redeem their loans at any time prior to maturity by paying the principal amount of the loan plus charges, mainly interest at $3\frac{1}{2}$ percent. They are then free to sell their rice. If loans are not repaid, the rice pledged as security for the loan is taken over by the Government at maturity.

Purchase agreements also terminate at the loan maturity date. The producer is not required to sell the rice covered by the agreement to the Government, but if he elects to do so he must give prior notice of his intention and of the quantity he proposes to deliver. The producer gets the same price for the rice as if it had been put under loan.

RICE DISPOSAL

Since mid-1954, the Government has acquired under its price-support operations more than 140 million hundredweight of rice. Most of this has been moved into consumption channels, chiefly abroad. On August 1, 1960 (the beginning of the 1960-61 marketing year), CCC stocks of rice totaled approximately 6.2 million hundredweight.

Extensive efforts are constantly being made to move the United States rice surplus into consumption. Export payments are made to bridge the gap between U. S. rice prices and world prices. These payments help to assure U.S. rice producers their fair share of the world market. To encourage movement of rice to foreign countries lacking the dollars to buy, the Government through another USDA agency, the Foreign Agricultural Service, accepts foreign currencies from these countries in payment for U.S.-produced rice. Rice is also exchanged for strategic and other materials under a barter program. Under other programs, rice is donated to feed needy people both at home and abroad.

While the movement of rice from Government stocks has benefited diets both at home and abroad, the cost to CCC has been substantial. During the past several years, losses incurred by CCC on dispositions have averaged about \$1.77 per hundredweight (rough rice equivalent basis).